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PSC APPROVES SALE OF PACIFICORP'S ELECTRIC DISTRIBUTION FACILITIES TO FLATHEAD ELECTRIC COOPERATIVE

The Montana Public Service Commission has approved the sale of PacifiCorp's electric distribution facilities in Montana to Flathead Electric Cooperative, which will include allocation of \$4 million in net proceeds from the sale to benefit PacifiCorp's Montana customers.

In the order approving the sale that was issued today, the PSC granted the recommendation of the Montana Consumer Counsel that \$1.25 million of the sale's net proceeds be used for system improvements in PacifiCorp's existing urban service area and that \$2.75 million be returned to PacifiCorp's residential and small commercial customers in the form of direct payments. The payments to customers must be made within a year.

The PSC found that the exact amount of PacifiCorp's net gain on the sale could not be determined because of the time constraints of the commission's investigation of the sale, but noted that customers will benefit from a significant portion the net gain.

PacifiCorp, which serves about 36,000 Montana customers primarily in Flathead and Lincoln counties, put its Montana distribution facilities up for sale in July and announced in September that Flathead Electric was the successful bidder. The PSC, joined by the Montana Consumer Counsel, asked the Flathead County District Court to order PacifiCorp to halt the sale until the PSC reviewed the terms and conditions of the sale. PacifiCorp disputed the PSC's authority to review the sale, but agreed to delay it pending a PSC investigation and determination by

October 30 of whether the sale was in the public interest.

Under the terms of the sale, Flathead Electric Co-op will form a regulated subsidiary called Energy Northwest Inc. (ENI) to serve former PacifiCorp customers within the city limits of Kalispell, Whitefish and Columbia Falls. All remaining customers will be served by Flathead Electric Co-op.

Key provisions of the sale and PSC order include:

- Flathead Electric and ENI will adopt PacifiCorp's existing rates for PacifiCorp's former customers. The co-op will later develop uniform rates for all its customers.
- Flathead Electric and ENI will file modified plans with the PSC for their transitions to customer choice of electricity suppliers. They will propose to begin choice on July 1, 2000, delaying for one year both PacifiCorp's and Flathead's transition plan implementation.
- Flathead plans to hire PacifiCorp's local employees.
- Flathead Electric will provide local governments with payments in lieu of taxes that are equivalent to taxes formerly paid by PacifiCorp.

"Citizens generally supported the sale, but raised many good questions which we have tried to address," according to PSC Commissioner Bob Rowe. "The commission's review resulted in a better outcome for citizens of Flathead and Lincoln Counties."

Rowe said Flathead Electric Cooperative responded constructively to the many issues raised. "I am confident of their ability to provide good service," Rowe said. "I look forward to working with them to benefit northwestern Montana."

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